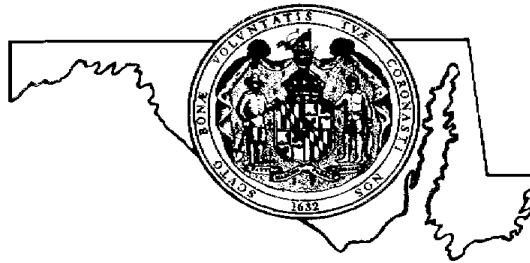


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**NEW REPORT SHOWS MARYLAND HEALTH CARE EXPENDITURES
GREW 8.4 PERCENT TO \$19.4 BILLION IN 2000**

BALTIMORE, MD (January 17, 2001) -- At a meeting here today, the Maryland Health Care Commission ("MHCC" or "Commission") released a report that provides a comprehensive look at health care expenditures and utilization by Maryland residents. The report, ***State Health Care Expenditures: Experience from 2000*** contains information on total expenditures for the state by public and private sources, as well as more specific information on expenditures for the major regions of the state. In releasing this report, the Commission meets its mandate to report annually on the state's total reimbursement for health care services in accordance with health care reform legislation passed in 1993.

Major findings include:

- ?? ***Total health care spending for Maryland residents increased 8.4 percent in 2000 to \$19.4 billion, up from \$17.9 billion in 1999.*** The 2000 rate of increase is the most rapid since MHCC began estimating expenditures in 1994. This increase is above the national rate of increase (7.4 percent) for comparable expenditure categories as estimated by the federal Centers for Medicare and Medicaid Services (CMS) in the National Health Care Accounts. ***Higher rates of growth are expected to continue for several years. Many analysts point to tight health care labor markets for many health services occupations, the explosive growth of new medical technologies, and the migration away from tightly managed care as significant contributors to the rapid growth.*** Health care spending accounts for about 11 percent of personal income in Maryland, a percentage that has held constant in the last 5 years. That share may grow as the overall economy slows and health spending accelerates.
- ?? ***Private sector, other government, and Medicaid spending grew the most rapidly in 2000.*** Spending by private insurers and health maintenance organizations (HMO) increased by 9.2 percent in 2000. This increase is slightly higher than the 8.4 percent rate of growth in private sector spending reported by CMS. Other government spending which includes health services provided by entities such as the Veterans Administration (VA), and non-Medicaid state health programs climbed 12.1 percent. Medicaid spending increased by 9.9 percent and was accompanied by a 7.4 percent increase in enrollment. By comparison, enrollment in private insurance plans increased by about 1 percent.

- ?? **HMO enrollment declined in 2000, except for Medicaid.** Private HMO enrollment declined by 2.0, but expenditures increased by 5.9 percent. Medicare+Choice, the managed care product for seniors, saw enrollment fall by nearly 20 percent accompanied by a 15 percent decline in expenditures. **Only two HMOs serve Maryland seniors through the Medicare+Choice program and these products are available only in the Washington and Baltimore Metropolitan Areas.** Lack of growth in private HMOs is attributable to several factors, including adverse publicity regarding HMOs and the blurring of differences between HMOs and other traditional products. HMO enrollment declines may also reflect a movement from fully-insured products to self-insurance as employers seek to slow the rates of increase in health care expenses. In Medicaid's HealthChoice program, enrollment increased by 10 percent due to expansion of the Children's Health Insurance Program.
- ?? **The overall statewide spending increase is the result of relatively rapid increases in spending across all types of health care services. Hospital outpatient services (13.7 percent), prescription drugs (10.9 percent), and other professional services (10.9 percent) lead the advance with double digit rates of growth.** These rapid growing sectors reinforce the recent trend in Maryland towards greater reliance on drug therapies and other forms of health services at the expense of inpatient services. Increases in outpatient hospital spending are fueled by incentives for payers and hospitals to shift services to the outpatient setting whenever it is appropriate. Volume increases fueled some of the rapid increases in spending on hospital outpatient services. Expenditures for inpatient hospital services as a share of total spending fell in 2000 for the fifth consecutive year. Hospital inpatient services account for around one-quarter of total spending, but contribute only 14.1 percent to the statewide expenditure increase. Overall growth in hospital inpatient expenditures was 4.7 percent.
- ?? **The rate of growth in prescription drug expenditures slowed to 10.9 percent, compared to the 22.2 percent increase in 1999.** Private payers' move to three-tier benefit packages that offer broader drug choices, but shift more costs to consumers appears to have slowed drug-spending growth for some plans. Patient out-of-pocket drug payments increased by 8.6 percent, however patients' share of drug expenditures has fallen from 58 percent in 1992 to 35 percent in 2000. Many individuals with prescription drug coverage are buffered from the impact of greatest prescription drug increases despite cost-saving measures. The elderly and the uninsured that lack prescription coverage, pay an increasingly greater differential for drugs as the gap between retail prices and discounted prices negotiated by large purchasers widens.

Donald E. Wilson, M.D., chair of the MHCC, and Vice President for Medical Affairs at the University of Maryland and Dean of the School of Medicine, commented on the report. "The rate of increase in health care spending indicates that the period of slow growth in health care has come to an end. We are now entering a particularly difficult period for the health system as we must identify new cost-containment tools even as we struggle to meet increasing health care needs. Rising health care expenditures at a time of slow economic growth can only mean bad news for consumers of health care services, especially our most vulnerable groups." Dr. Wilson further commented, "The spending increases we see in 2000 are already having a significant impact on health care premiums in small and large group insurance markets. These increases further reduce the affordability of health insurance. I am especially concerned about the impact large premium increases will have on the working families that can barely afford insurance today."

The complete report is available on the MHCC web site under
<http://www.mhcc.state.md.us>
Please call 410-764-3570 for a hard copy.

